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Shiningbank has been a top performer in the oil and gas trust sector with a 30% compound annual return for almost 10 years.

What is behind such a strong investment return?

PROFIT

SHININGBANK
ENERGY INCOME FUND

Fund Report 2005

Shiningbank had one of its most profitable years ever.

What were the highlights of 2005?

In the second quarter we closed the \$32 million acquisition of Outlook Energy Corp. and, in the third quarter, we closed the \$269 million purchase of Blizzard Energy Inc., our largest deal to date.

We also had a successful development drilling program which recorded 98% success on 104 wells (32.9 net) and continues to add volumes to stem our natural production declines which are averaging about 15% annually.

Unusually high commodity prices, with natural gas reaching a new record high, allowed us to lift distributions to 30 cents

per unit in the fourth quarter of 2005. The increase was driven by two elements coming together at the same time: very strong commodity pricing and solid operational results. This allowed us to pass along a pricing high to our unitholders.

In January 2006, gas prices dropped significantly in response to a warm winter across much of North America. Such volatility in the market is not unusual and does not overshadow the long-term fundamentals which continue to be very strong.

Shiningbank typically pays out 70-80% of cash flow to unitholders in distributions. Will the Fund be able to hold its high payout ratio?

Our payout ratio is dependent on commodity prices. Our first objective is to hold distributions stable, so we flex the payout ratio to absorb changes in cash flow. Typically the ratio is in a band of 70-80% of cash flow.

Our second objective is to pay off the majority of our capital program from

cash flow. With the amount withheld, we are planning to feed our development program enough capital that we can maintain production through the year.

Overall, our philosophy is to pay out a high percentage of cash flow, while holding back enough to ensure longevity in the Fund's asset base.

With 76% of production being natural gas, distributions are heavily dependent on gas markets.

Where do you see gas prices going?

Without a doubt, we remain bullish on natural gas over the long term. Gas pricing is always volatile over shorter periods as the market responds immediately to the weather, even weather predictions for, say tomorrow or next week. We saw that this winter. In early December 2005, gas prices hit an all-time high as the market began to feel uneasy about supply holding through the winter months. In January 2006, warmer than usual temperatures spread over much of North America and prices fell over \$4.00/mcf. High volatility is normal in the short term. The longer-term picture is much different.

The market fundamentals remain very strong. Canada supplies 15% of the US market. Yet both countries are seeing little, if any, growth in natural gas supply. Canada's production has been almost flat, even though twice as many wells are being drilled than a few years ago.

With producers struggling to keep pace with demand, there are few options for new sources of supply. Most of the continent's large gas reserves have been discovered, or are in remote areas such as the Rocky Mountains or Canada's north where it is more difficult and costly to drill and produce. Liquefied natural gas (LNG) is being touted as a new supply source, but it is not expected to have a material impact for years. Only a handful of LNG ports are in operation in the US and, even if new ones are built, the US will be competing with Japan and Europe for supply.

Based on the market fundamentals, we agree with most industry analysts that natural gas pricing will be strong for years. Good indicators of pricing are futures contracts. Looking out both three years and five years, futures contracts are suggesting an \$8/mcf gas price. Those forecasts give some indication of the strength we see in future cash flow.

2010 5-year futures contracts \$8.00 per mcf in 2005 •

2005 \$9.13 per mcf •

2000 \$5.45 per mcf •

1996 \$1.92 per mcf •

The tight supply/demand scenario in North America has driven up gas prices.

Gas Prices for the Fund (historical average, including hedging)

The industry often hedges volumes of oil or gas to lock-in prices. How does the Fund use hedging?

We use hedging as a risk management tool to help stabilize distributions. As all investors know, predicting the market is not always easy, but there are markers which point to short-term spikes or troughs.

If we see a weak point looming in the market, we will lock-in volumes at a specific price, or in a price band called a 'collar'. One example is the summer months when heating demand falls and prices tend to soften. We may also hedge production to secure the economics of an acquisition. Prices can sometimes be

locked in at a higher level than was paid for the production.

The Fund's policy restricts hedging to 50% of any one commodity, and hedges are typically for less than one year. This conservative approach is aimed at maintaining pricing upside in the market, while smoothing out low points.

At this point, over 90% of the Fund's production is unhedged for the next 12 months, although we continually survey the market for signs of weakening prices and hedging opportunities.

Shiningbank has grown through acquisitions and 2005 was a busy year. Will 2006 be another active year for acquisitions?

Right now, we are focused more on profitability than size, particularly with the growth we achieved last year. Ultimately we will have to acquire new assets. Any trust has a limited ability to offset natural production declines and still maintain a low risk profile. We will have to continue to acquire producing properties

to stay ahead of the curve, but we have a 24-month inventory of development drilling locations which we hope will maintain stable production, so we don't have to rush into anything. Not that we wouldn't act on the right opportunity at the right price if one did come along.

Development drilling is taking on a larger role in maintaining stable production. Why has the Fund shifted to more development drilling?

The rise in oil and gas prices over the past few years has dramatically changed the industry. Today, in many cases, it's simply more economic to add production and reserves through low-risk development drilling than it is to acquire them. Last year alone, we saw a huge jump in the price paid for production on acquisition markets. In the first quarter, the industry average was \$45,000/flowing boe; by the last quarter it was \$75,000/flowing boe. The average price for reserves in the ground has also

increased significantly. In 2002 the industry average cost for acquisitions was less than \$8/boe for proved plus probable reserves; the price was almost three times higher in the last quarter of 2005 at \$23/boe.

Our shift to development drilling makes economic sense. Last year, our finding and development costs were \$11.10/boe through low-risk drilling. We were able to arrest our production declines, which is the primary goal of our development program.

**Drilling can present surprises
– both good and bad.
How does Shiningbank
manage its drilling risk?**

**This year Shiningbank will
drill its largest number
of wells ever. What are your
drilling plans for 2006?**

Firstly, our drilling success last year was 98% on 104 wells (32.9 net). We high grade our prospects, which means we develop only those that will generate the highest returns. Prospects outside our risk profile or economic parameters are farmed-out to other companies. They then drill the prospect and if it's successful, we retain a percentage of the production and reserves, at no cost to the Fund. We are also continually evaluating our assets and sell smaller properties if they are no longer performing to

expectations, or if there is limited upside. We are continually working to keep the "quality" component in our asset base.

One important point in managing risk is that we believe capital is precious. If we're not investing it wisely on behalf of our unitholders through the drill bit, then we should be paying it to them as distributions because we are an income fund. So if we're brave enough to hold it back, we had better high grade our prospects to get the best bang for the buck with that precious capital.

We have a \$90 million capital program based on drilling roughly 70 shallow gas wells at Sousa at 100% interest, and approximately 100 other low-risk development wells (40 net). The high number of wells at Sousa reflects the low drilling costs and the fact that the risk is so low we refer to it as a 'gas-farming' operation. Shiningbank operates most of this drilling program, so we have the luxury of controlling the pace of development to reflect cash flows and market conditions.

In west-central Alberta, we will focus on development drilling at Ferrier and nearby O'Chiese, where we have a track record of cost-effectively adding production and creating value for unitholders by adding new reserves. We are also excited

about our new Grande Prairie area, which has similar multi-zone, gas-prone characteristics as west-central Alberta.

While it is still early in 2006, the entire industry is again dealing with drilling delays that surfaced last year. The scarcity of drilling rigs and crews and regulatory backlogs from the high level of activity are slowing drilling programs for just about everyone in the industry. Weather is also having an impact. Our Sousa area, which is winter-only access, had warmer than usual weather this winter which delayed our drilling operations and forced us to postpone some wells. Despite these hurdles, we feel that our targets for drilling and production for the year are achievable.

Shiningbank operates 75% of its production. How is the Fund managing rising operating costs?

We are continually working to control our costs, whether operationally or corporately. That was one attractive aspect of the Blizzard acquisition. It had a slate of lower-cost properties which, when brought into our portfolio, helped reduce our operating costs to below \$7.00/boe, a relatively low level in today's environment.

We are also continually improving the quality of our asset base. We try to rotate out the bottom 5% of our portfolio, which

means we don't fall in love with all of our assets forever. Late last year, for example, we sold several hundred boe per day of production which was in non-core areas, and had higher operating costs and a shorter Reserve Life Index than our average of 10 years. It was good timing considering the price we received in the high price commodity environment, and we will reinvest the cash to develop what we think are higher quality assets.

With the robust level of activity, the entire oil and gas industry is struggling with human resource issues. Are the people available to manage and execute your strategies?

Human resources are tight across our industry, from crews working on drilling rigs to technical professionals. It is much more difficult to find and retain qualified people. But we are reasonably well staffed at Shiningbank and have minimal turnover; so we are comfortable that the

people are in place to manage our day-to-day operations and execute our development and growth strategies. One impact of the competition for people has been an increase in overall compensation and benefits, which is reflected in higher general and administrative expenses.

The Fund has a track record of being a top performer among its peers; those trusts created in the mid-1990s. Can Shiningbank maintain its strong performance as an investment?

We believe we can continue to deliver strong returns – just as we’ve been at or near the top of our sector for the past nine and a half years. Some potential investors are skeptical, particularly as there are now so many trusts in our sector. But we have a track record based on our core values: a focus on natural gas, high quality assets, an experienced management team, and conservative financial management to preserve the strength of our balance sheet. Those will not change.

Low-risk development drilling has recently taken on a more important role in maintaining our production base, adding value to the reserve base and bringing stability to our distributions.

Behind those core strategies is the strength we see in natural gas prices over the long term. The market fundamentals are very strong with the tight supply/demand scenario in North America and no material supply increase in sight. Pricing will always be volatile through the seasons, but the long-term outlook certainly bodes well for distributions and continuing our strong investment returns.



David M. Fitzpatrick
President and Chief
Executive Officer

March 1, 2006

2005 \$22.36 per unit since inception •

2000 \$8.22 per unit since inception •

1996 \$0.83 per unit since inception •

Cumulative cash distributions per unit exceeded \$22 from inception to year-end 2005.

Cumulative Cash Distributions (year end)

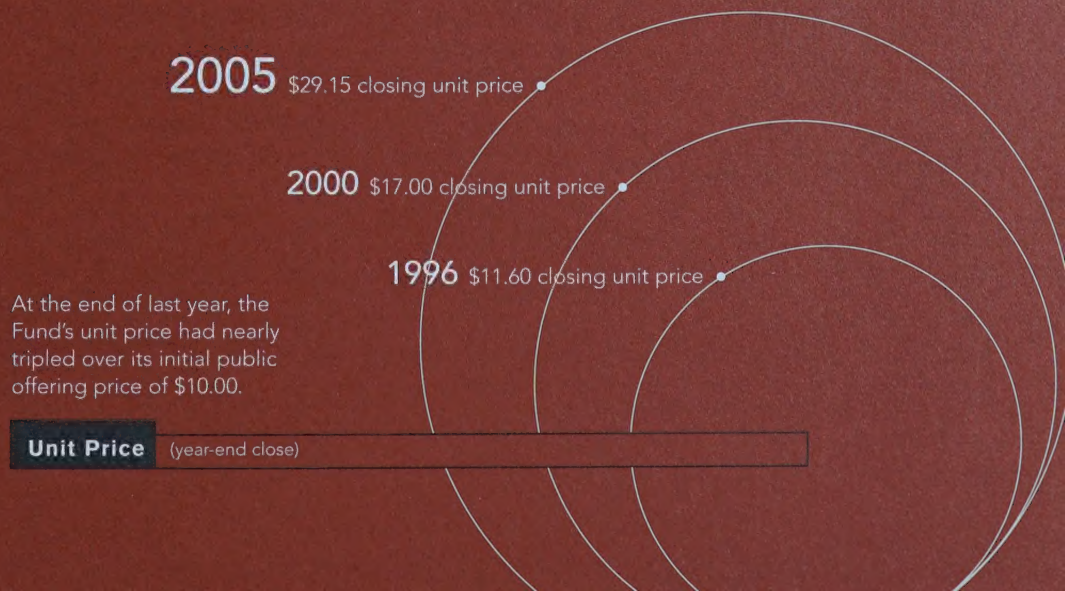
behind your investment





Track record of profitability

Shiningbank's track record of strong investment returns, and the Fund's profitability, are anchored in core business fundamentals which guide our decisions and activities. Shiningbank is primarily a natural gas producer and unitholders have benefited from the dramatic rise in gas pricing over the years. Accretive acquisitions and how the Fund invests in development of its properties are both integral to profitability and to Shiningbank's longevity. On the following pages we explore what is behind your investment in one of the leading performers in the oil and gas trust sector.



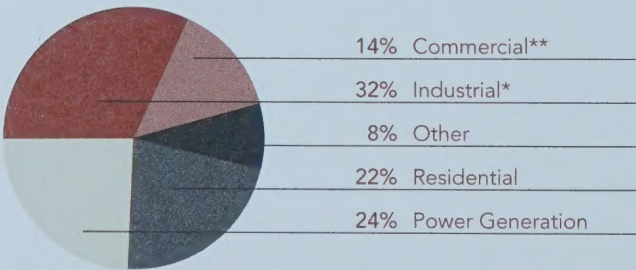
banking on gas

With 76% of our production being natural gas, Shiningbank's distributions are closely linked to gas prices. While pricing is volatile season to season, the market fundamentals support bullish forecasts over the longer term. The common theme among analysts is that demand will continue to rise steadily. Yet North American supply has flattened and producers are on a treadmill, drilling more and more wells with little change in the supply base. The tight supply/demand balance we have seen in recent years is not expected to ease as no new major sources of supply are on the horizon for a number of years.

Demand and supply

STRONG OUTLOOK FOR GAS PRICES

- MARKET FUNDAMENTALS CONTINUE TO SUPPORT LONG-TERM PRICING STRENGTH FOR NATURAL GAS.
- FUTURES PRICES FOR WINTER 2006/07 ARE IN THE \$9-\$10/MCF RANGE, ALTHOUGH WE CAN EXPECT VOLATILITY WITH WEATHER AND THE SEASONS.
- LOOKING OUT FIVE YEARS, GAS FUTURES ARE TRADING IN THE \$8/MCF RANGE, INDICATING CONTINUED SUPPORT FOR DISTRIBUTIONS.



Who is using natural gas?

- * Natural gas is used as a heat source and as a chemical building block for a wide range of products including plastic, fertilizer and anti-freeze.
- ** Public and private enterprises including office buildings, hotels, restaurants, schools and government buildings.

Sources: Canadian Association of Petroleum Producers, National Energy Board, Natural Gas Supply Association, Natural Resources Canada, US Energy Information Administration.

Demand

Natural gas accounts for one-third of Canada's primary energy needs with nearly 3 tcf used every year, 95% coming from the western provinces. Canada is also the #1 supplier to the US as we export about 3.6 tcf annually, which makes up 15% of its supply base. Canadian gas supplies one in seven gas-heated homes in the US.

The US consumes about one-quarter of the gas volumes produced in the world, nearly 23 tcf of gas annually. That demand is expected to increase gradually for the foreseeable future resulting in large cumulative growth. The US Energy Information Administration forecasts that the US will need almost 40% more gas in 2025 than in 2002.

Demand growth is projected across all sectors. With natural gas being the cleanest burning of the fossil fuels, and in light of more stringent emission regulations, it is the fuel of choice for new electricity plants. Winter heating and summer cooling make up a large portion of the demand scenario with both being dependent on weather and the size and efficiency of buildings. The US and Canadian economies will be determining factors but overall, analysts agree that demand will continue to rise.

Supply

On the supply side, more wells are being drilled just to maintain production. The traditional supply basins are in the mature and declining phase and new prospects in those areas tend to yield lower production rates. Even with Canada's industry drilling a record of roughly 16,500 gas wells in 2005, there has been only a marginal increase in conventional Canadian production. Some industry watchers say that less than one-third of Western Canada's natural gas reserves have been produced, with enormous potential remaining, although a good portion of that potential is from non-conventional sources or in areas where it is more costly and difficult to explore and produce. New supply sources are not expected to have a major impact for years.

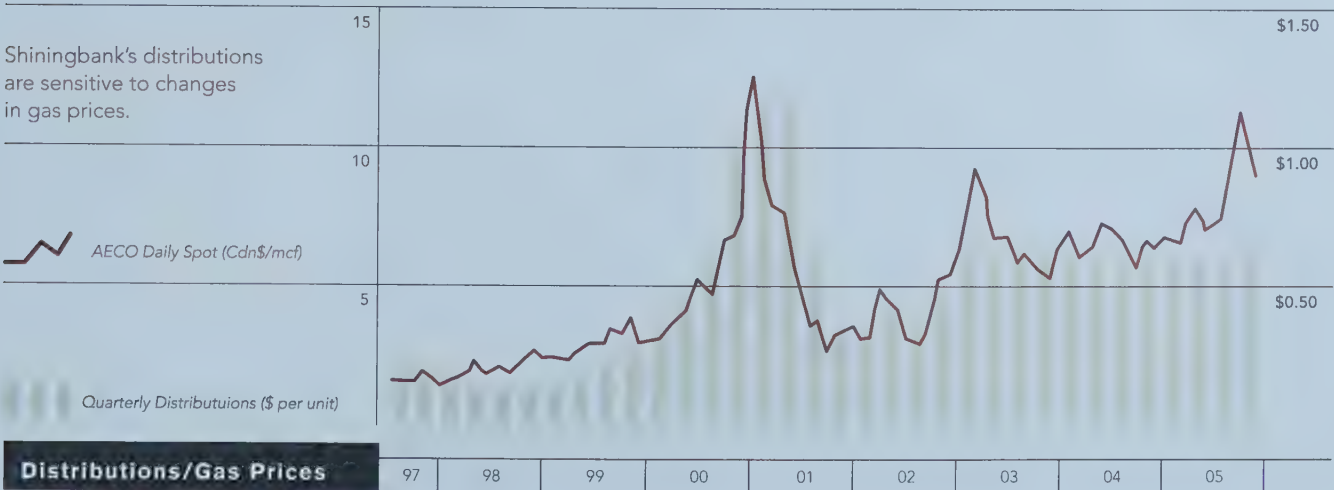
Alternative Supply Sources

Liquefied Natural Gas Five liquefied natural gas (LNG) terminals are in operation in the US with more than 50 proposed for the US, Canada, Mexico and the Bahamas. Analysts expect LNG to make up about 15% of US gas consumption by 2025, up from only 3% today. However, gas prices would have to be high to support construction of new tanker fleets and ports, and to be competitive enough to draw LNG into North America from Europe and Japan.

Northern Gas The regulatory process is underway for a pipeline from Canada's MacKenzie Delta, but gas is not expected to be flowing before 2010. Even then, much of that gas may be used to fuel Alberta's oilsands mega-projects.

Coal Bed Methane Coal bed methane (CBM) involves producing methane, or natural gas, that is naturally emitted by seams of coal. CBM makes up about 1% of Canada's gas supply and about 10% of supply in the US. Strong gas prices are the economic driver for expansion, but CBM production rates tend to be low and the technology is relatively new.

Conservation Energy conservation is one way to reduce demand. Although many industries have reached the point where they can not reduce consumption, most are attempting to improve energy efficiency. Some industries are moving away from natural gas, such as pulp and paper which is using more wood waste. During periods of peak pricing, some industries switch to other sources, often fuel oil or coal, which eases demand; but only 6% of industry is estimated to be able to fuel-switch within 30 days.



asset strength

Our strong investment returns stem from the "quality" of the assets we acquire, and how they are managed. By quality, we refer

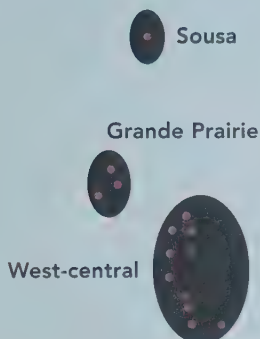
Quality assets >> increasing profitability

**to long-life reserves along
with characteristics that**

**ensure we maximize revenues – and control expenses. These
quality fundamentals include a natural gas focus, control of our
assets through operatorship and a long reserve life.**



Operations are concentrated in west-central Alberta with two new areas added in 2005 at Grande Prairie and Sousa. All three have high netback properties with long-life natural gas reserves.



Key Operating Areas

Quality Characteristics

Natural Gas Focus Shiningbank is 76% natural gas on the basis of both production and total reserves. The Fund's gas focus was set when one mcf was selling for less than \$2.00 and management envisioned major growth based on the tightening supply/demand scenario in North America. Today, we are still bullish on gas markets.

To capture premium pricing, we emphasize NGL-rich gas. Natural gas is mostly methane, but in some areas and formations it yields high concentrations of NGL such as ethane, propane and butane, which are split off and sold separately. With oil, which makes up 10% of our production, we focus on light grade oil as it is always in demand by refineries and sells for a higher price than heavier grades.

Control As operator of 75% of our production, we market most of our volumes, control the pace and direction of reserve and infrastructure development, and monitor operating costs. In 2005, our operating costs averaged \$6.96/boe against an expected industry average of nearly \$8.00/boe. Geographic concentration, as with our holdings in west-central Alberta, allows us to share resources and expertise among our different properties to keep production high and operating costs low.

Opportunity Development upside is a measure of quality that has taken on greater importance with the rise in commodity prices and the ensuing escalation in acquisition costs. With a major acquisition in August 2005 we doubled our undeveloped lands, then created an inventory of low-risk development locations to keep our drilling program busy for at least the next two years. Our goal for that program is to offset natural declines and maintain stable production.

Longevity Shiningbank's Reserve Life Index has averaged around 10 years for almost a decade. We acquire properties with a long reserve life which is fundamental to the Fund's longevity and the stability in our distributions.

2005 20,876 boe/d •

2000 8,312 boe/d •

1996 4,400 boe/d •

Production has grown
an average 19% per year
since inception.

Average Daily Production

Building the fund

Acquisitions have been the driver in Shiningbank’s growth. Whether we are acquiring a small gas-focused company or a package of properties from a larger company, we only acquire assets that meet our definition of quality: long-life gas reserves, preferably NGL-rich, with development upside through undeveloped acreage and low-risk drilling opportunities. Certainly, many economic factors are considered, but one of the most important is whether an acquisition is accretive to unitholders; in other words, are we adding value to each unit? The answer is yes.

Net Asset Value Per Unit One factor we measure is Net Asset Value (NAV) per unit which indicates the value of reserves in the ground attributed to each Trust Unit. To fund acquisitions, we issue new units to pay for a portion of the purchase, or to pay down debt we take on for short periods to finance the transactions. This has the potential to dilute the NAV per unit but, to the contrary, our acquisitions have been accretive and, when including rising gas prices, the value of each Shiningbank unit has grown substantially.

NAV looks at the future cash flow from producing our reserves, after paying debt. At the end of 2005, our independently evaluated NAV equated to \$1.4 billion, discounted at 10%, compared with \$49.9 million in 1996. While that shows the upward trend in our reserves combined with the rise in commodity prices, we have issued millions of Trust Units to fund that growth. Our NAV per unit was \$20.00 at year-end 2005, based on 68.2 million Trust Units. Over that time we have paid out over \$22 per

unit in cash distributions. That compares with \$9.43 per unit, based on 5.3 million Trust Units, when the Fund was formed. We believe those metrics speak to the accretive nature of our acquisitions, the quality of our asset base, and ultimately, how we strive to ensure the long-term viability of the Fund.

Recycle Ratio Recycle ratio is a measure of how cost effective we are in replacing reserves through acquisitions. As an industry benchmark, a recycle ratio of 2.0 to 1 is considered to be an effective use of capital and accretive to unitholders. (See page 22 for more on recycle ratios.)

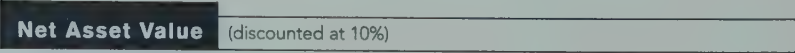
In 2005, our acquisitions totaled \$330 million. We completed the \$32 million purchase of Outlook Energy Corp. in the second quarter and closed the \$269 million acquisition of Blizzard Energy Inc. in early August. We also made several other smaller acquisitions totalling \$29 million. Our recycle ratio for these acquisitions was 1.9 to 1, indicating the accretive nature of the transactions and the cost-effective nature of those investments.

2005 \$20.00 NAV per unit •

2000 \$18.50 NAV per unit •

1996 \$9.43 NAV per unit •

Even with the issue of millions of units over nearly a decade, growth in reserves and commodity prices has more than doubled our NAV per unit since inception.



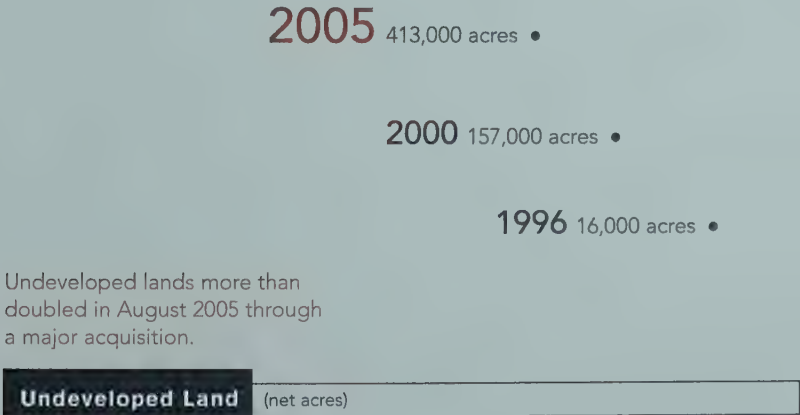
OUR ACQUISITION PERFORMANCE

- ACQUISITIONS HAVE INCREASED PRODUCTION BY AN AVERAGE 19% PER YEAR SINCE INCEPTION IN MID-1996.
- ON A CUMULATIVE BASIS, WE HAVE REPLACED 273% OF OUR PRODUCTION WITH NEW RESERVES OVER THE PAST NINE AND A HALF YEARS.
- OUR ACQUISITION COSTS OVER THE PAST THREE YEARS HAVE AVERAGED \$15.37/BOE, WHICH PROVIDES A HEALTHY PROFIT MARGIN CONSIDERING OUR NETBACK AVERAGE OF \$29.03/BOE OVER THE SAME TIME FRAME.

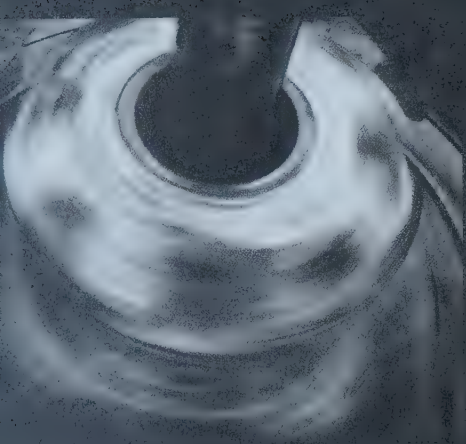
Our Largest Acquisition to Date On August 2, 2005, Shiningbank closed its largest deal to date in terms of both production growth and dollar value. We added approximately 4,600 boe/d, 95% natural gas, in a \$269 million cash and Trust Unit transaction for the purchase of Blizzard Energy Inc. At the time of the acquisition:

- We added 16 million boe in proved plus probable reserves at a cost of \$15.31/boe.
- The transaction included 265,000 net acres of undeveloped land which brought the total purchase price to \$17.19/boe.
- Properties acquired in the transaction had a lower cost structure which helped reduce our overall operating costs to under \$7.00/boe in 2005 and we expect to average approximately \$7.25/boe in 2006. This has helped offset the rising costs being experienced across the industry.

Aside from the sound economics, we were attracted to the quality of the assets – Sousa in northwest Alberta and Grande Prairie in Alberta’s Peace River Arch area. Both fit well within our property portfolio as they meet our quality criteria of long-life gas reserves, an opportunity base of undeveloped lands and low-risk development drilling upside. We expect that the new opportunities in the Grande Prairie area will lead to a similar growth scenario to the Ferrier story told on pages 18 and 19.



active drilling



OUR DRILLING PERFORMANCE

- DRILLING SUCCESS IN 2005 WAS 98% ON 104 WELLS (32.9 NET).
- THREE-YEAR AVERAGE FINDING COSTS WERE \$9.66/BOE FOR PROVED PLUS PROBABLE RESERVES. WE CONSIDER THIS EFFECTIVE ECONOMICS WHEN COMPARED TO OUR THREE-YEAR ACQUISITION COSTS OF \$15.37/BOE.
- DEVELOPMENT DRILLING HAS BEEN ON TARGET REPLACING MORE THAN 100% OF PRODUCTION DECLINES IN BOTH 2005 AND 2004.
- IN 2006, WE HAVE BUDGETED \$90 MILLION IN CAPITAL EXPENDITURES WHICH WILL INCLUDE APPROXIMATELY 170 WELLS (110 NET).



Investing for production stability

Development drilling has taken on a higher profile over the past few years as the cost of acquisitions has escalated, often making it more accretive to drill rather than purchase new reserves. Our philosophy is to spend enough capital to keep production stable by offsetting natural declines on the production base. In each of the past two years, we have offset over 100% of our production declines. Our declines are averaging 15% per year, a relatively low amount considering that 20-30% declines are common in the Western Canadian Sedimentary Basin. With this greater emphasis on development, it is imperative that we manage the associated risks.

Shiningbank does not explore for new reserves. We only drill low risk development or exploitation plays; typically infill wells in existing fields, or step-out wells on the fringe of a producing area where we expect to find an extension to an existing geological trend. Another risk reducer is multi-zone potential as we can expect to encounter a number of producing zones in a single wellbore.

While we actively manage risk, the success of our drilling program hinges on the quality of our opportunities and we continually high grade our prospects to ensure we drill the most technically sound and economic wells.

Our Drilling Focus

West-central Alberta The majority of the Fund's properties are concentrated in west-central Alberta, a well-established producing area with ample pipeline and processing infrastructure, multi-zone drilling opportunities and NGL-rich gas. The geographic concentration aids in cost control, but there is also geologic diversity which mitigates operational risk. Ferrier is the prime focus of drilling. We expect to invest one quarter of our 2006 capital budget, or \$23 million, in low-risk drilling and other development activities in this core operational area.

Sousa Sousa is considered a "gas farming" operation, an exploitation play with a long reserve life and very low risk as wells are drilled to a shallow 250 metres to target a well-known horizon. Shiningbank acquired 100% ownership of the property and a gas plant in mid-2005. Access is winter-only so drilling must be completed before spring break-up with the aim of completing enough wells to keep the plant full until the next winter drilling season. Sousa offers high netbacks by combining low royalties and very low operating costs. Approximately \$30 million, or one-third of our 2006 capital program will be dedicated to drilling at Sousa.

Grande Prairie Acquired in August 2005, the Grande Prairie area gives Shiningbank a foothold in the Peace River Arch area of Alberta, a region known for NGL-rich gas and multiple producing horizons. The area can also yield larger reserve accumulations and higher rates of production per well than in west-central Alberta. We expect to spend 10% of our capital budget, or about \$9 million, at Grande Prairie in 2006.

strategies in action

Three years ago we held a small land position at Ferrier and production was less than 150 boe/d. Volumes now exceed 5,000 boe/d, we have increased reserves

Strategies in action >> the Ferrier story

over 20-fold and we control a land spread of over 46,000 net acres. Ferrier is also one of

our lowest cost producing areas. Ferrier has grown to be Shiningbank's largest single producing property and is a good example of how acquisitions and development can add substantial value for unitholders.



Ferrier

Ferrier includes two adjacent properties, Ferrier and O'Chiese.



Ferrier

Building a Footprint Ferrier's characteristics made it a prime growth target: NGL-rich gas, a long reserve life and under-developed lands where we could begin to create an operational core. Early in 2003, we completed a \$133 million property acquisition which added 3,300 boe/d and undeveloped lands adjacent to our existing acreage. By year-end 2003, a \$7 million development program had increased production to over 4,000 boe/d. In addition, the proximity to existing operations allowed us to take advantage of economies of scale to reduce operating costs.

Expansion Another attractive acquisition surfaced in early 2004; the \$175 million corporate acquisition of Birchill Resources Limited, with 40% of its production in the Ferrier area, again adjacent to our existing operations. We immediately began to drill development wells to tap the area's multi-zone horizons. Our \$22 million investment increased 2004 production to over 5,500 boe/d.

Drilling Success The same development game plan was pursued in 2005. We drilled 17 wells (9.6 net) with 100% success which replaced production declines. Another active program is scheduled in 2006 which will see the drilling of 20-25 wells.

Our dominant land position at Ferrier, control of infrastructure and track record of drilling success will allow us to continue to harvest the area's production and reserve potential. The growth story should continue as we are seeking new acquisitions for expansion and adding low-risk prospects to our drilling inventory.

Model for Success Ferrier is our biggest growth story, yet the same combination of acquisitions and development is being applied to other areas in order to cost-effectively add value for unitholders.

2005 5,570 boe/d •

2004 5,700 boe/d •

2003 3,900 boe/d •

2002 150 boe/d •

The same combination of acquisitions and development is being applied to other areas.

Production Growth at Ferrier (average daily)

key statistics



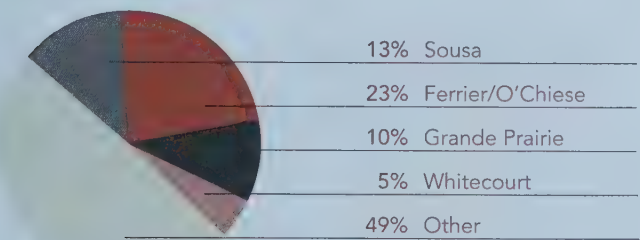
PRODUCTION, NETBACKS AND RESERVES

UNITHOLDERS OFTEN ASK ABOUT KEY STATISTICS COMMONLY USED IN THE INDUSTRY. HERE, WE HAVE GATHERED SOME OF THOSE MOST FREQUENTLY ASKED QUESTIONS AND INCLUDED SOME POINTS OF EXPLANATION.

Production

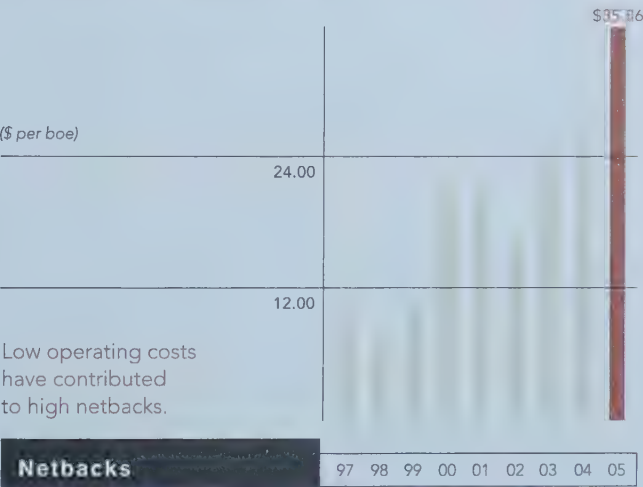
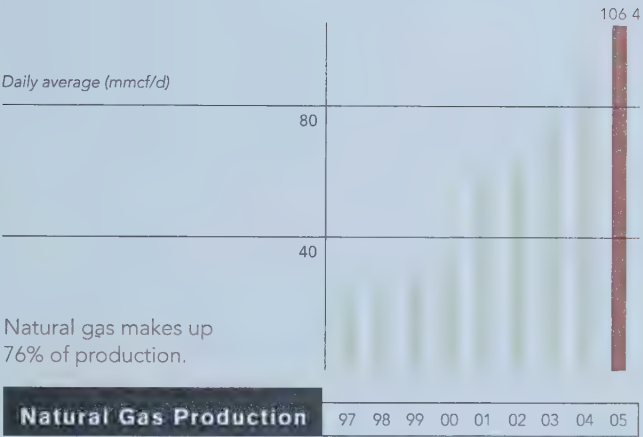
Production averaged 20,876 boe/d in 2005 and we exited the year at roughly 22,500 boe/d, both marginally below expectations due to months of wet weather which shut down equipment moves in many areas and delayed drilling and well tie-ins. A return to normal field conditions over the past winter has allowed us to tie-in wells and ramp up our drilling program in our year-round access areas, but our winter-only program at Sousa has been slowed by warmer than normal temperatures. Weather, regulatory delays and access to scarce equipment have slowed programs across the industry but we still feel that our goals are in sight. For 2006, we plan to use our development drilling program to maintain stable production at an approximate 22,500 – 23,000 boe/d.

Major Producing Properties



Netbacks

Shiningbank's strong investment returns are directly linked to the profitability of our properties or, in industry terms, high operating netbacks. Netbacks are important as they take into account the price we receive for our production, minus the expenses associated with getting it out of the ground and transporting it to a selling point (royalties, operating and transportation costs). In 2005 we received an average price of \$54.96/boe for our production, while our operating netback was \$35.86/boe.



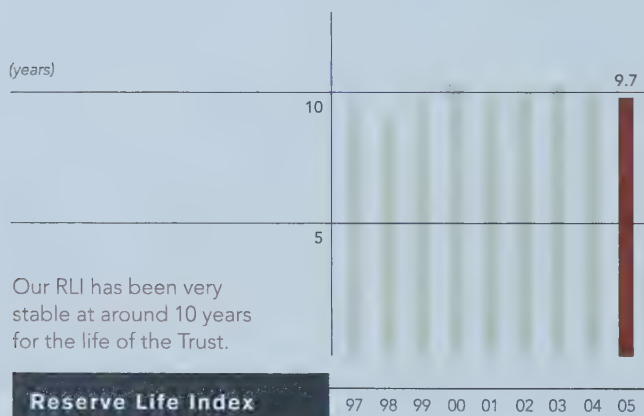
Reserves*

Reserve Life Index Reserve Life Index (RLI) is a common industry measure of longevity. RLI indicates the number of years that production can theoretically continue at today's current rate; in our case 22,500-23,000 boe/d (based on 2006 projected production). Since inception, the Fund has had an average 10-year RLI, which we consider on target as it indicates a low rate of production decline and a long-life reserve profile.

Reserve Replacement An important benchmark is the Fund's ability to replace annual production every year, known as the reserve replacement. Last year the Fund replaced 260% of its 2005 production with new reserves. Since inception, we have replaced 273% of total production. That equates to 115 mmboe in new reserves and 42 mmboe in production.

Acquisition and Development Costs In 2005, our acquisition and development activities added proved plus probable reserves at a cost of \$19.36/boe. Our three-year average is \$13.77/boe.

* More detailed information about Shiningbank's reserves is contained in its Annual Information Form for the year ended December 31, 2005.



Our acquisition program in 2005 entailed: the \$32 million acquisition of Outlook Energy Corp. in June, the \$269 million purchase of Blizzard Energy Inc. in August, and \$29 million in smaller property purchases throughout the year. The entire 2005 program equated to \$23.74/boe for proved plus probable reserves, which brought our three-year average acquisition costs to \$15.37/boe.

Development drilling continues to be very cost-effective in adding new reserves. With 98% success on 104 wells (32.9 net), our 2005 program resulted in development costs of \$11.10/boe for proved plus probable reserves. Our three-year average is \$9.66/boe.

Recycle Ratio Recycle ratio is a common industry measure of how cost-effective we are in replacing reserves. It is considered a good economic snapshot as it takes into account actual revenues, operating costs, transportation and royalties (operating netback); and the amount invested in acquisitions and development. The recycle ratio is calculated by dividing the operating netback by the combined acquisition and development costs. Any recycle ratio of 2.0 to 1 is considered to be accretive to unitholders and an effective use of capital. Our 2005 recycle ratio was 1.9 to 1; our three-year average is 2.1 to 1.



Costs Per Boe of Proved Plus Probable Reserves¹

	2005	2004	2003	Three-year average
Acquisition costs	\$ 23.74	\$ 11.16	\$ 11.56	\$ 15.37
Development costs	\$ 11.10	\$ 9.80	\$ 6.46	\$ 9.66
Total acquisition and development costs ²	\$ 19.36	\$ 10.81	\$ 10.41	\$ 13.77
Operating netback per boe	\$ 35.86	\$ 25.96	\$ 24.19	\$ 29.03
Recycle ratio				
(netback ÷ acquisition and development costs)	1.9	2.4	2.3	2.1
Reserve replacement (% of production)	260%	277%	283%	272%

¹ For more detailed information on Shiningbank's finding, development and acquisition costs, please see the press release dated March 2, 2006 or the Fund's Annual Information Form.

² Total acquisition and development costs exclude changes in estimated future development costs for that year.

Summary of Oil and Gas Reserves – Forecast Prices and Costs

As at December 31, 2005	Reserves (Company Interest)			
	Oil (mdbl)	Natural Gas (bcf)	NGL (mdbl)	Oil Equivalent (mboe)
Proved				
Developed producing	4,575	205.6	6,518	45,352
Developed non-producing	80	16.0	429	3,167
Undeveloped	208	19.2	566	3,971
Total proved	4,864	240.7	7,512	52,490
Probable	2,588	132.8	4,344	29,068
Total proved plus probable	7,451	373.5	11,857	81,558

Value of Reserves Using Forecast Prices and Costs¹

As at December 31, 2005 (000s)	Discount Factor			
	0%	8%	10%	15%
Present value of reserves				
Proved	\$ 1,773,724	\$ 1,236,548	\$ 1,158,674	\$ 1,009,076
Probable	888,847	408,025	356,983	268,851
Total proved plus probable	\$ 2,662,572	\$ 1,644,573	\$ 1,515,657	\$ 1,277,927

¹ The present value of reserves is calculated based on the reserve estimate and price forecast prepared by Paddock Lindstrom & Associates Ltd. as at December 31, 2005. It should not be assumed that present value is representative of the fair market value.

Forecast Price Assumptions

As at December 31, 2005	Crude Oil		Natural Gas	
	West Texas Intermediate US\$/bbl	Edmonton Light Crude Cdn\$/bbl	AECO-C Spot Price Cdn\$/mmbtu	Foreign Exchange \$US/\$Cdn
2006	\$ 60.00	\$ 69.57	\$ 10.54	\$ 0.85
2007	57.50	66.61	9.52	0.85
2008	55.00	63.64	8.32	0.85
2009	52.50	60.68	7.71	0.85
2010	50.00	57.72	7.10	0.85
2011	47.50	54.76	7.24	0.85
Thereafter	+2%/annum	+2%/annum	+2%/annum	0.85

Reserve Reconciliation (Company Interest Reserves)

	Oil and NGL (mdbl)		Natural Gas (bcf)		Oil Equivalent (mboe)	
	Proved	Proved plus probable	Proved	Proved plus probable	Proved	Proved plus probable
December 31, 2004	12,454	18,783	209.7	307.6	47,409	70,052
Acquisitions	407	593	50.5	79.8	8,827	13,900
Dispositions	(149)	(231)	(1.6)	(2.6)	(408)	(657)
Discoveries	950	2,092	12.5	31.7	3,022	7,369
Revisions	668	23	3.6	(9.1)	1,260	(1,487)
Production	(1,952)	(1,952)	(34.0)	(34.0)	(7,620)	(7,620)
December 31, 2005	12,376	19,308	240.7	373.5	52,490	81,558

Financial

(\$ thousands, except per Trust Unit amounts)	2005	2004	2003	2002	2001
			Restated	Restated	Restated
Oil and natural gas sales ¹	\$ 419,663	\$ 307,514	\$ 247,207	\$ 142,661	\$ 170,714
Royalties	(88,078)	(63,930)	(53,628)	(26,470)	(38,857)
Transportation costs ¹	(5,304)	(5,550)	(5,050)	—	—
Operating costs	(53,045)	(48,692)	(40,536)	(31,583)	(28,257)
Operating netbacks	273,236	189,342	147,993	84,608	103,600
General and administrative	10,244	6,681	4,649	4,143	3,788
Management fees	—	—	—	1,939	3,500
Interest on long term debt	8,423	6,159	6,103	5,109	5,675
Internalization of management contract	—	818	608	4,509	—
Other	1,805	806	595	665	384
Funds flow from operations	252,764	174,878	136,038	68,243	90,253
Depreciation, depletion and accretion	142,370	118,547	78,853	63,627	49,955
Internalization of management contract	1,309	2,693	5,381	6,475	—
Trust Unit incentive compensation	2,506	1,263	572	—	—
Gain on sale of other assets	(920)	(232)	—	—	—
Net earnings before income taxes	107,499	52,607	51,232	(1,859)	40,298
Future income tax recovery	(6,737)	(86,199)	(12,722)	(14,457)	(9,917)
Net earnings after income taxes	\$ 114,236	\$ 138,806	\$ 63,954	\$ 12,598	\$ 50,215
Funds flow from operations	\$ 252,764	\$ 174,878	\$ 136,038	\$ 68,243	\$ 90,253
Capital expenditures	(81,772)	(56,339)	(22,931)	(11,867)	(4,328)
Asset retirement expenditures	(1,497)	(684)	(218)	(385)	(491)
Working capital adjustments	12,771	28,505	9,398	13,616	(3,455)
Distributions to unitholders	\$ 182,266	\$ 146,360	\$ 122,287	\$ 69,607	\$ 81,979
Distributions per Trust Unit	\$ 2.97	\$ 2.76	\$ 2.85	\$ 2.16	\$ 3.40
Long term debt	\$ 199,129	\$ 182,147	\$ 121,691	\$ 115,283	\$ 122,459
Unitholders' equity	\$ 736,992	\$ 515,944	\$ 364,215	\$ 264,887	\$ 261,213
Total assets	\$ 1,169,580	\$ 826,797	\$ 614,149	\$ 507,824	\$ 519,496
Trust Units outstanding at year end	68,186	54,141	44,343	33,194	29,118
Average Trust Units outstanding during year	59,711	52,209	41,595	31,677	24,005

¹ 2005, 2004 and 2003 oil and natural gas sales and average prices are stated before transportation costs.

Operations

	2005	2004	2003	2002	2001
Daily production					
Oil (bbl/d)	2,346	2,381	2,023	2,054	2,013
Natural gas (mmcf/d)	93.2	86.6	74.9	64.2	61.6
Natural gas liquids (bbl/d)	3,003	3,125	2,252	1,454	1,288
Oil equivalent (boe/d)	20,876	19,933	16,759	14,214	13,564
Natural gas percentage of total production	74%	72%	74%	75%	76%

Average sales price (after hedging)¹

Oil (\$/bbl)	\$ 61.78	\$ 43.14	\$ 37.95	\$ 36.31	\$ 35.67
Natural gas (\$/mcf)	\$ 9.13	\$ 7.06	\$ 7.00	\$ 4.32	\$ 5.80
Natural gas liquids (\$/bbl)	\$ 50.42	\$ 40.24	\$ 33.65	\$ 26.59	\$ 29.59
Oil equivalent (boe/d)	\$ 54.96	\$ 42.14	\$ 40.42	\$ 27.50	\$ 34.48

Proved plus probable reserves – Company interest²

Oil and natural gas liquids (mbbl)	19,308	18,783	15,236	11,893	12,044
Natural gas (bcf)	373.5	307.6	253.0	210.0	210.8
Oil equivalent (mboe)	81,558	70,052	57,395	46,890	47,171

¹ 2005, 2004 and 2003 oil and natural gas sales and average prices are stated before transportation costs.

² Company interest includes working interest plus royalty interests attributable to the Fund.

Trading History

	2005	2004	2003	2002	2001
High	\$ 30.99	\$ 23.98	\$ 18.99	\$ 15.95	\$ 18.70
Low	\$ 22.00	\$ 16.51	\$ 14.80	\$ 10.00	\$ 11.85
Close	\$ 29.15	\$ 21.49	\$ 18.64	\$ 15.15	\$ 13.97
Volume (millions of units)	53.0	44.0	37.3	25.0	27.1

unitholders' information

Distribution Schedule

Payment Distributions are paid on the 15th of each month. The amount of each distribution is announced by press release in the middle of the month prior to the payment. Distributions are paid in Canadian funds directly to registered unitholders, or to the broker holding the units of non-registered unitholders. The mid-month press release also includes the specifics of both the ex-distribution date and the record date.

Ex-distribution Date To ensure adequate time for the registration of new units by the record date, new purchases must be completed before the "ex-distribution date". The ex-distribution date is typically two business days before the last business day of the month.

Record Date Distributions are paid to all unitholders of record on the last day of the month, which is known as the "record date". All purchases of units must be registered by the record date in order for the unitholder to qualify for that month's distribution.

Taxes

The following tax information is not specific to individual circumstances and unitholders should consult with a tax specialist.

Canada For Canadian tax purposes a portion of each distribution is taxable as "other income" while the remainder is deferred as a return of capital. In 2005, 84.41% was taxable. The return of capital portion is used to reduce the investor's adjusted cost base when units are sold to assist in determining capital gains or losses.

United States For US tax purposes a portion of each distribution is taxable as a "qualified dividend" and the remainder is deferred as a return of capital. The return of capital portion is used to reduce the cost base of the units for calculating capital gains or losses when the units are sold.

Non-resident Withholding Tax Non-residents of Canada will have a non-refundable Canadian government withholding tax applied to all distributions. The withholding tax rate is typically 15% for residents of the US and most European and Commonwealth countries. If your country of residence does not have a tax treaty with Canada the percentage of tax withheld will vary.

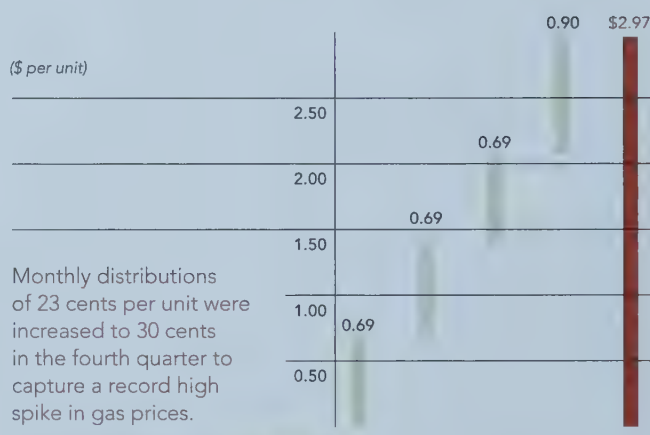
See our website www.shiningbank.com for complete tax details.

Calculating Total Return

Total return is calculated using both cash distributions and any increase (or decrease) in the unit price. There is a simple formula for calculating total return. For 2005:

Take the unit price at year-end 2005 and subtract the unit price at year-end 2004. Add 2005 distributions. Then divide by the 2004 year-end price to generate the total return for the year.

Unit price as at	
December 31, 2005	\$ 29.15
December 31, 2004	21.49
	7.66
Add 2005 distributions	2.97
	\$ 10.63
Total return – Divide by \$21.49	49%



2005 Distributions	Q1	Q2	Q3	Q4	Q5
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Distribution Reinvestment Plan

Our Distribution Reinvestment Plan allows Canadian investors to automatically have their monthly distributions reinvested in additional units. Additional contributions of up to \$1,000 each month can also be made through the plan.

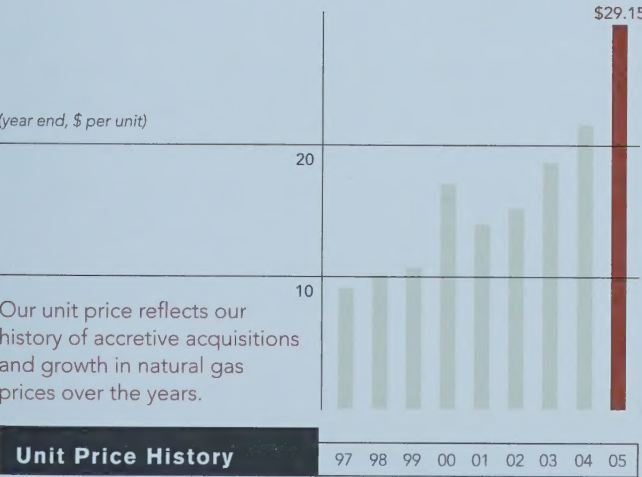
For more information contact your broker or the Fund's trustee: Computershare 1-800-564-6253 (toll free).

Who to Contact

Administrative questions concerning your units or investment account should be directed first to your broker and then, if necessary, to the trustee of the Fund:

Computershare 1-800-564-6253 (toll free).

If you have questions about Shiningbank or would like to receive regular mailings, visit our website at www.shiningbank.com or contact Investor Relations at irinfo@shiningbank.com or call us at 1-866-268-7477 (toll free).



Shiningbank's Board of Directors is comprised of five independent directors, all with extensive oil and gas industry experience, and the President and CEO. This small but effective Board has the ultimate responsibility for overseeing corporate governance.

Corporate Governance and Your Board of Directors

The underlying principle of corporate governance is the protection of unitholders' interests. In practice, we believe that integrity and professionalism are fundamental to corporate governance and to the Fund's operations. High standards of corporate governance extend to our operations in the field, including best practices for environmental compliance and health and safety. It also extends to our day-to-day dealings with people in our industry, the regulatory, investment and banking communities and, of course, unitholders.

Financial Reporting We are diligent in ensuring transparency in financial reporting, and disciplined in ensuring compliance with securities regulations. We practice full disclosure, and all financial dealings appear on our statements; other than our commodity hedges, there are no "off balance sheet" transactions. Our financial statements are prepared internally, examined by independent auditors and reviewed in detail by the Board's Audit Committee, which is comprised of independent directors.

Workings of the Board Shiningbank's entire Board meets regularly to review financial statements, major acquisitions, the Fund's distribution policy, operations and its strategic direction. Last year the Board as a whole met eight times. Periodically, the independent directors meet without management present to discuss specific issues or strategic direction. The effectiveness of the Board is due to its hands-on nature, and there is frequent dialogue with management to ensure everyone is aware of new or upcoming developments.

Board Committees The Board of Directors has three committees, all comprised of independent directors, which are responsible for reviewing specific aspects of the Fund's operations and bringing recommendations to the Board for approval.

Audit Committee The Audit Committee reviews quarterly and year-end disclosures, meets directly with external auditors, and then issues recommendations to the Board. This committee is also charged with monitoring internal systems and control and the Fund's risk management activities such as hedging and insurance. Each director, and the committee as a whole, has the option of retaining outside lawyers or accountants.

Environmental, Corporate Governance and Reserve Review Committee This committee is responsible for reviewing the year-end reserve evaluation, which is prepared by independent engineers, prior to presentation to the Board for approval. This committee is also responsible for reviewing compliance with environmental regulations, corporate governance legislation and best practices.

Compensation Committee The Compensation Committee provides annual recommendations to the Board concerning reasonable compensation for executives and directors. The committee's recommendations are based on extensive independent research.

Environment, Health & Safety In our daily operations, we demand high standards of environmental performance, and health and safety. The Fund has extensive policies, procedures and training to promote best practices and high standards in all of our field operations. In addition, we evaluate all acquisition targets for environmental issues or liabilities prior to acquiring any property. Our commitment to health and safety can be seen in an excellent safety record.



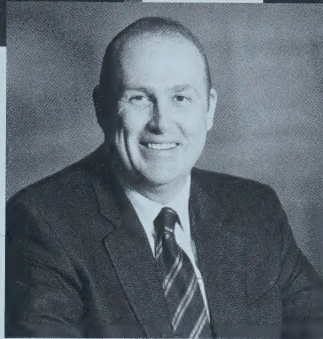
Arne R. Nielsen
CHAIRMAN

Arne (*far left*) is a pioneer of the Canadian oil and gas industry and a founder of Shiningbank. He has over 50 years experience in the industry including 10 years as President of Mobil Oil Canada Ltd. His contributions have been honoured in many ways including: inductee into the Canadian Petroleum Hall of Fame, an Honorary Doctorate from the University of Alberta, and he was named to a list of Albertans who had an impact on the 20th century.



Warren D. Steckley
DIRECTOR

Warren (*second from left*) combines extensive oil and gas experience with financial and investment expertise. He is currently President and Chief Operating Officer for Barnwell of Canada, Limited, an oil and gas company and wholly-owned subsidiary of Barnwell Industries Inc., a public company that trades on the American Stock Exchange. He is also a director of several private and public oil and gas companies.



Richard W. Clark
DIRECTOR

Richard (*centre*) was Shiningbank's corporate secretary from inception of the Fund in 1996 until joining the Board in mid-2005. He has practiced law since 1991 and currently is a corporate finance/mergers and acquisitions partner with Gowling Lafleur Henderson in Calgary. Richard's main areas of expertise include corporate governance and securities law where he represents oil and gas companies, royalty trusts and income funds.

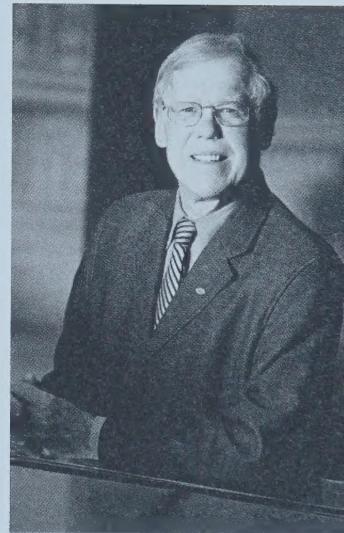


D. Grant Gunderson
DIRECTOR

Grant (*second from right*) has extensive and varied business experience in the oil and natural gas industry. He has directed corporate and asset evaluations, merger and acquisition activities, business plans and financial reorganizations with such companies as Mobil Oil Canada Ltd., Canadian Superior Oil Ltd. and Bowtex Energy (Canada) Corporation. In these various roles, Grant has worked in both Canada and the United States.

Edward W. Best
DIRECTOR

Ted (*far right*) has 50 years industry experience including being President of the Oil and Gas Division and a director of BP Canada. He has been a consultant in the domestic and international petroleum industry, and a director of a number of senior and junior oil and gas companies. As a retired geologist, Ted is an Honorary Member of the Canadian Society of Petroleum Geologists. He is also an inductee into the Canadian Petroleum Hall of Fame.



Corporate Information

Board of Directors

Arne R. Nielsen
Chairman

David M. Fitzpatrick
President and
Chief Executive Officer

D. Grant Gunderson
Director

Edward W. Best
Director

Warren D. Steckley
Director

Richard W. Clark
Director

Officers

David M. Fitzpatrick
President and
Chief Executive Officer

Bruce K. Gibson
Vice President, Finance
and Chief Financial Officer

Gregory D. Moore
Vice President, Operations
and Chief Operating Officer

Terry P. Prokopy
Vice President, Land

R. Bruce Thornhill
Vice President, Geology

Alan G. Giessing
Controller

Murray J. Desrosiers
Corporate Secretary
and General Counsel

Head Office

Suite 1310, 111 – 5th Avenue S.W.
Calgary, Alberta T2P 3Y6
Tel: (403) 268-7477
Fax: (403) 268-7499
Toll free: (866) 268-7477
E-mail: irinfo@shiningbank.com
Website: www.shiningbank.com

Trustee

**Computershare Trust
Company of Canada**
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

Engineering Consultants

**Paddock Lindstrom
& Associates Ltd.**
Calgary, Alberta

Legal Counsel

Gowling Lafleur Henderson LLP
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Symbol: SHN.UN

Notice of Meeting

The Annual General Meeting and Special Meeting of the unitholders of Shiningbank Energy Income Fund will be held on Tuesday, May 16, 2006 at the Calgary Petroleum Club, 319 – 5 Avenue S.W., Calgary, Alberta, Canada beginning at 3:00 p.m. MDT. Unitholders are encouraged to attend. Those unable to attend are asked to complete and return their Form of Proxy. See the Proxy Form for voting options.

Our Namesake

The Fund is named after Shiningbank Lake, located west of Edmonton, Alberta, which is close to one of the first properties acquired by the Fund.

The name Shiningbank comes from the Aboriginal word for the lake describing its clay banks that shine like gold in the sun.



SHN.UN

Abbreviations

bbl	barrels of oil or natural gas liquids
bcf	billion cubic feet of natural gas
boe	barrels of oil equivalent (6,000 cubic feet of natural gas is equivalent to one barrel of oil)
/d	per day
mbbl	thousand barrels
mboe	thousand barrels of oil equivalent
mmboe	million barrels of oil equivalent
mcf	thousand cubic feet of natural gas
mmcf	million cubic feet of natural gas
mmbtu	million British thermal units
NGL	natural gas liquids
tcf	trillion cubic feet of natural gas

A Note About BOEs

The term boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.